

Commission Meeting Minutes

April 8, 2015

Chairman Brown called the meeting to order at 10:40 AM. He then acknowledged the other Commissioners present: Commissioners Kate Fitzpatrick, Elizabeth Fontaine, James Machado, and Gerald McDonough. He reported that Commissioner Robert McCarthy is participating in this meeting remotely due to personal illness pursuant to 940 CMR 29.10 and all votes taken during this meeting shall be by roll call vote. Commissioner John Langan was not in attendance.

Chairman Brown announced that the Commission meeting is being tape recorded which will be noted in the minutes, that a stenographer is taking notes, and asked that everyone state their names prior to speaking.

PERAC Staff Present: Executive Director Joseph Connarton, Deputy Executive Director Joseph Martin, Deputy Director/General Counsel John Parsons, Actuary James Lamenzo, Senior Associate General Counsel Ken Hill, Associate General Counsel Patrick Charles, Compliance Officer Thomas O'Donnell, Compliance Counsel Derek Moitoso, Director of Strategic Planning Mike DeVito, Chief Auditor Harry Chadwick, Compliance Analyst Cheryl Johnson, Director of Administrative Services Caroline Carcia, and Senior Executive Assistant Kim Boisvert.

Ms. Boisvert announced the guests in attendance: Tom Gibson from Middlesex and Belmont Retirement Boards, Lisa Maloney from the Middlesex County Retirement Board, Nick Favorito from the State Retirement Board, Sean Neilon from the Massachusetts Teachers' Retirement Board, Kimberly Fletcher from the Newton Retirement Board, Katie McCue from the Massachusetts Municipal Association, Frank Valeri representing the Retirees' Association, and Carol Kusinitz from Doris O. Wong Associates.

Commissioner Machado made a motion to adopt the minutes of the March 18, 2015 meeting as presented. Commissioner McDonough seconded the motion. A roll call vote was taken as follows: Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, John Langan ABSENT, James Machado YES, Robert McCarthy YES and Chairman Philip Y. Brown YES - the minutes were adopted.

State Retirement Board Valuation

Mr. Lamenzo wanted to first thank his staff for their diligence in preparing the draft State Retirement Board Valuation report as distributed today. He expects to finalize and distribute this report at the end of the month. He stated that the appropriation will increase in FY16 and FY17 as scheduled although it could increase even more pending legislation regarding an early retirement incentive program. He further discussed the actuarial gain/loss, the increase of the unfunded actuarial liability due to the decrease in the investment return assumption and the adoption of a fully generational mortality assumption, the changes due to Chapter 176 of the Acts of 2011, and the number of members hired after April 1, 2012. Mr. Lamenzo then compared the 1/1/15 valuation results to the 1/1/14 valuation including the increases of normal cost, unfunded actuarial liability, and the employer normal cost, as well as the decrease of the funded ratio.

The Commission thanked Mr. Lamenzo and his staff for preparing the 1/1/15 State Retirement Valuation.

Legislative Sub-Committee

Commissioner Fitzpatrick, Chairman of the Legislative Sub-Committee, discussed the regulations that were forwarded to this Commission meeting.

Mr. Connarton explained Policy No. 97-004 and Executive Order No. 562 regarding PERAC's policy to promulgate regulations. He further explained it takes about a year before finalization.

Discussion ensued regarding the amended draft Election Regulations with some concerns regarding the predictability issue, and filling an unexpired term versus a full 3 year term.

Commissioner Machado made a motion to accept and forward the draft amended Election Regulations to A&F for further public hearing per Policy No. 97-004. Commissioner Fontaine seconded the motion and a roll call vote was taken as follows: Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES and Chairman Philip Y. Brown YES - the motion was adopted.

Commissioner Fitzpatrick stated the next consideration for the Commission is the issue of Judicial Retirement Allowances.

Commissioner McDonough requested that three issues, in one form or another, Double Pensions for Judges, Group Classifications, and the State Police Disability Process be tabled at this time and it was accepted without a motion.

Mr. Connarton stated that he and Mr. Parsons met with SPAM to discuss the proposed disability legislation regarding State Police. He continued that SPAM wasn't completely opposed and he hopes to meet with the Colonel in the future.

Mr. Parsons stated that Section 26 governs all State Police retirements and limits any follow up action from the State Retirement Board (SRB) and PERAC.

Commissioner McDonough stated that the SRB or PERAC should be able to challenge the Colonel's decision, and that the public deserves at least the opportunity to fight for due process.

Commissioner Fitzpatrick stated that the Sub-Committee chose to forward Alternative A of the Concurrent Beneficiaries legislation to the full Commission for its vote.

Commissioner Fontaine made a motion to accept the language under Alternative A of the Concurrent Beneficiaries legislation and to have Mr. DeVito attempt to find a sponsor. Commissioner Fitzpatrick seconded the motion and a roll call vote was taken as follows: Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES and Chairman Philip Y. Brown YES - the motion was adopted.

Joint Audit/Fraud and Disability Sub-Committee Meeting Update

Mr. Connarton asked Mr. Charles and Mr. Hill to update the Commission on the amended draft regulations on the Standard Rules for Disability Retirement.

Mr. Charles and Mr. Hill reviewed the proposed changes to 840 CMR 10.00: Standard Rules for Disability Retirement. Basically the changes in the legislation would set up a protocol for PERAC should a staff member file for disability, and to offer special protections for those individuals filing for accidental disability based on an emotional disability among other changes.

Commissioner McDonough made a motion to accept and forward the amended draft 840 CMR 10.00: Standard Rules for Disability Retirement to A&F for further public hearing per Policy No. 97-004. Commissioner Fontaine seconded the motion and a roll call vote was taken as follows: Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES and Chairman Philip Y. Brown YES - the motion was adopted.

Legal Update

Mr. Parsons updated the Commission about the *Chelsea Retirement System v. PERAC*, Lowell District Court, Docket No. 1411-CV-001165, and *McLaughlin v. PERAC*, also at Lowell District Court, Docket No. 1411-CV-001093.

Mr. Parsons reported on another matter before the Chelsea Retirement Board (CRB), Mr. James Fitzpatrick, the Chelsea Housing Authority's former assistant director, has been found guilty for conspiring to defraud the government. Mr. Parsons reached out to the CRB attorney to discuss a hearing for Mr. Fitzpatrick, as his sentencing will take place in July, to avoid the McLaughlin issue. He stated that at this time it is unknown if the Housing Authority will seek restitution. He continued that while Mr. McLaughlin has not received any retirement benefit as of now, Mr. Fitzpatrick has been collecting his pension for about 2 years. Finally, Mr. Parsons stated that Section 15 has recently changed so now the retirement systems can go back to the date of retirement to recoup funds from the respective member instead of the date of conviction.

Mr. Connarton explained that Deputy General Counsel/Managing Attorney Judith Corrigan was not in attendance today as she is recuperating from an accident at home.

Legislative Update

Mr. DeVito reported that H. 61 the ERI legislation filed by the Governor is still in play and H. 3189 Ways and Means ERI legislation passed the House 152-0. He then reported that PERAC's bill number H. 17 has been assigned to Public Service. He also reported that joint rules had not yet been adopted by the Senate and House as of this time.

Audit Update

Mr. Chadwick reported that audits are currently occurring at the Bristol County, Greenfield, and Malden Retirement Boards. Internal reviews are being conducted on the audit reports for the Arlington, New Bedford, Quincy, State, and Teachers' Retirement Boards. He stated that he is

waiting for responses from the Blue Hills and West Springfield Retirement Boards for their respective audits. Mr. Chadwick reported that Lowell, Lynn, and Woburn Retirement Boards audit reports have been posted on the PERAC Web Page since the last Commission meeting. He then explained the respective findings. Finally, Mr. Chadwick reported that one follow up audit was performed at the Clinton Retirement Board and he reviewed the findings. He reported that PERAC does go back to the respective system for a six month follow up if a finding or findings have been made.

The Commission requested that a document be created that lists common findings on a percentage basis and then prepare specific training on those findings. For example the 3% interest refund for the public employee that has left state government with less than 10 years, the 2% over \$30,000 calculation issues, or cash reconciliations. Mr. Chadwick stated that he would prepare such a document.

Compliance Update

Mr. O'Donnell reported that currently the unit is collecting, scanning, and reviewing the vendors' annual disclosures. He stated that there are over 1200 relationships and 350 vendors. The forms were due on March 1. He further stated that PERAC has received 80% of the reports to date. The 20% outstanding reports could be for a lack of information or may need additional information and those individuals are being contacted. Mr. O'Donnell stated that there are 27 active RFPs advertised at this time. Finally, Mr. O'Donnell stated that the second quarter educational memorandum has been distributed to all boards.

Executive Director's Report

Mr. Connarton reported on staff activities since the last Commission meeting which is outlined in a memorandum in the packets. He made note that Mr. Lamenzo attended the Rating Agency meeting on April 7, 2015. He then stated what an asset Mr. Lamenzo and his staff truly are to this Commission.

Mr. Connarton reported that pursuant to Chapter 32, §20 4 (c), the Braintree Retirement Board has requested that the Commission confirm Mr. Eric Cocca as its fifth member.

Commissioner Machado made a motion to appoint Mr. Eric Cocca as the fifth member of the Braintree Retirement Board. Commissioner Fontaine seconded the motion and a roll call vote was taken as follows: Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES and Chairman Philip Y. Brown YES - the motion was adopted.

Mr. Connarton made reference to the Pension News sent to the pension community. He also stated that we are preparing our 11th annual Emerging Issues Forum being held on Thursday, September 17, 2015 at the College of the Holy Cross in Worcester.

Mr. Connarton reported that he was interviewed by Kathy Curran regarding a post retirement earnings case from the Medford Retirement Board (MRB). This case went to DALA; we prevailed, and DALA notified MRB to begin the recoupment process. The MRB reported that they are not going to recoup or suspend the benefit until the CRAB decision comes out, as the

retiree in question has filed an appeal. At this time the retiree owes the MRB \$157,000 and Ms. Curran stated something will air at the end of April.

Other Business

Commissioner McDonough inquired if anyone is going to attend the NCPERS Conference in New Orleans.

Mr. Connarton stated that Commissioner Machado, Commissioner McCarthy, and General Counsel/Deputy Director Parsons will be attending the NCPERS Conference in May 2015.

Commissioner McDonough would like a report at the next meeting regarding this conference.

Chairman Brown inquired about a retreat to educate new people about what needs to be done on the Commission.

Mr. Connarton stated that PERAC had a Strategic Planning event in the past and could schedule another if the Commission wishes.

The Commission liked the idea of hosting another Strategic Planning event and requested a copy of the prior Plan.

Commissioner Machado inquired about the three (3) day event that was held at U-Mass in the past.

Mr. Connarton explained that PERAC did host a three (3) day event which was geared toward new administrators and board members. We have not done that in quite a while; however, with the amount of training we do now for credits it would be difficult to do this.

Chairman Brown stated that there is one Commissioner who is unavailable for the next Commission meeting – and inquired about changing the meeting date. Commissioner Machado is more concerned whether the Commission will have a quorum or not. Chairman Brown asked Ms. Boisvert to reach out to the Commissioners and follow up.

Mr. Gibson introduced Lisa Maloney, the new Director of Systems Operations at the Middlesex Retirement System.

Commissioner Fitzpatrick made a motion to adjourn the meeting. Commissioner McDonough seconded the motion and a roll call vote was taken as follows: Commissioners Gerald McDonough YES, Kate Fitzpatrick YES, Elizabeth Fontaine YES, James Machado YES, Robert McCarthy YES and Chairman Philip Y. Brown YES - the motion was adopted. The Commission meeting adjourned at 12:25 PM.

Commission Meeting Documents

Commission Agenda for the meeting of April 8, 2015
Commission Minutes for March 18, 2015

Legislative Sub-Committee Meeting Update

Draft language for Election Regulations
Documentation regarding Judicial Retirement Benefits
Draft language for State Police Disability Legislation
Draft language for Concurrent Beneficiaries Legislation

A/F & Disability Sub-Committee Meeting Update

Draft language for 840 CMR 10.00: Standard Rules for Disability Retirement

Legislative Update

Monthly Legislative Agenda and bullet points outlining legislation

Audit Update

Recent PERAC Audit Findings cover sheet and the respective audit findings

Executive Director's Report

Updated Staff Activities Memo
Final Commission meeting schedule for 2015

Other Documents

March 2015 publication of *the PERAC Pension News*

Distributed at Meeting

1/1/15 State Retirement System Draft Actuarial Valuation Report and Comparison table
Correspondence regarding Fifth Member of the Braintree Retirement Board

Approved:



Philip Y. Brown, Chairman
Public Employee Retirement
Administration Commission